

Department of Planning and Budget 2004 Fiscal Impact Statement

1. Bill Number HB1447

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Scott, E.T.

3. Committee General Laws

4. Title Recovery audits of state contracts

5. Summary/Purpose:

Requires the Department of General Services to contract with one or more private contractors to conduct systematic recovery audits of state agency contracts. The bill contains a provision that authorizes the contractor to retain a percentage of any payment error that is recovered by such contractor, not to exceed 10 percent of the amount recovered. The recovery audits shall include identifying payment errors made by state agencies to vendors and other entities resulting from (i) duplicate payments, (ii) invoice errors, (iii) failure to apply applicable discounts, rebates, or other allowances, or (iv) any other errors resulting in inaccurate payments.

6. Fiscal impact cannot be determined.

7. Budget amendment necessary: No

8. Fiscal implications: This proposal requires the Department of General Services to contract with one or more private contractors for recovery audits of state agency contracts. The bill states that the contract will be performance-based with a clause allowing the contractor to retain a percentage of the payment error up to 10 percent. There could be additional costs to the department depending on the structure of the contract. For example, if there is a basic charge for the contract services and retaining the payment error is an additional incentive for the contractor, the department would have to absorb the basic charge. Conversely, recoveries in excess of 10 percent would be additional revenues for the Commonwealth.

9. Specific agency or political subdivisions affected: Department of General Services

10. Technical amendment necessary: No

11. Other comments: None.

Date: 01/29/04 / amk

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cc: Secretary of Administration